

In relation to credit cards and profit:

a) What is the profit you make on your credit card business?

b) What proportion of your overall profit does this represent?

- a) Commonwealth Bank does not report profit for credit cards separately. Credit card revenue is included in Consumer Finance income disclosed in the table in our response in relation to return on equity. During the 2015 Senate Economics References Committee's Inquiry into Matters Relating to Credit Card Interest Rates, we advised the Committee that Consumer Finance (credit cards and personal loans) made an annual profit of around \$1 billion.
- b) In the financial year ended 30 June 2016, Consumer Finance (credit cards and personal loans) constituted approximately 10 per cent of Group profit after tax.

It could be misleading to look at profit in a particular year in isolation. The reality of running a credit card business is that we need to price for risk through the economic cycle. While we have been fortunate to have periods of economic growth in Australia, many markets have demonstrated that losses increase quite dramatically in times of stress. Currently our default rates are in the range of two to three per cent. Financial institutions in the USA over the last five years have experienced default rates of over 10 per cent. In any given year, a bank's credit card business can look very profitable. Over the long term, there are years that are distinctly less profitable—possibly unprofitable—and our aim is to ensure that the credit card business is profitable over the long term.